SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.
(深圳市海普瑞藥業集團股份有限公司)

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 9989)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the "**Board**") of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the "**Company**" or "**Hepalink**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the six months ended June 30, 2022 (the "**Reporting Period**"), together with comparative figures for the same period in 2021.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2022, the Group recorded the following unaudited results:

	For the six months ended June 30,		
	2022	2021	Changes
	RMB'000	*RMB'000*	
Revenue	**3,756,335**	3,111,164	20.7%
Gross profit	**1,218,477**	976,907	24.7%
Profit attributable to equity holders of the parent	**511,140**	338,159	51.2%

Note:

- The Group strove to make progress in each of its business segments and recorded revenue of approximately RMB3,756.3 million, representing an increase of approximately 20.7% as compared to the same period of last year. Gross profit was approximately RMB1,218.5 million, representing an increase of approximately 24.7% as compared to the same period of last year. Among the total revenue, the Group's gross profit from its finished dose pharmaceutical products segment has exceeded that of API business, indicating that Hepalink has taken a solid step in the strategic process of becoming the world's leading multinational pharmaceutical company;
- The profit attributable to equity holders of the parent was RMB511.1 million, representing a year-on-year increase of 51.2%; and
- During the Reporting Period, the basic and diluted earning per share attributable to ordinary equity holders of the parent was approximately RMB0.35, representing an increase of approximately 51.2% as compared to the corresponding period of last year.

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
REVENUE	*4*	**3,756,335**	3,111,164
Cost of sales		**(2,537,858)**	(2,134,257)
Gross profit		**1,218,477**	976,907
Other income and gains	*5*	**140,353**	5,990
Selling and distribution expenses		**(243,563)**	(195,059)
Administrative expenses		**(298,078)**	(259,307)
Impairment losses on financial assets		**(9,252)**	(10,640)
Other expenses		**(892)**	(4,189)
Finance costs	*6*	**(123,014)**	(108,369)
Share of profits and losses of associates		**(54,990)**	9,485
PROFIT BEFORE TAX	*7*	**629,041**	414,818
Income tax expense	*8*	**(118,637)**	(78,322)
PROFIT FOR THE PERIOD		**510,404**	336,496
Attributable to:			
Owners of the parent		**511,140**	338,159
Non-controlling interests		**(736)**	(1,663)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
— for profit for the period		**RMB0.35**	RMB0.23
Diluted			
— for profit for the period		**RMB0.35**	RMB0.23

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**510,404**	336,496
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**127,108**	(2,946)
Share of other comprehensive loss of associates	**14,161**	(10,602)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**141,269**	(13,548)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Net gains/(losses) on equity investments designated at fair value through other comprehensive income	**(6,330)**	5,978
Remeasurement gains on defined benefit pension schemes	**55,720**	3,262
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**49,390**	9,240
Other comprehensive income for the period (net of tax)	**190,659**	(4,308)
Total comprehensive income for the period (net of tax)	**701,063**	332,188
Attributable to:		
Owners of the parent	**701,162**	334,014
Non-controlling interests	**(99)**	(1,826)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022

	Notes	**June 30, 2022** ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,524,576**	2,526,672
Right-of-use assets		**233,185**	239,854
Goodwill		**2,265,521**	2,152,201
Other intangible assets		**467,037**	472,969
Investments in associates		**1,084,027**	1,146,465
Equity investments designated at fair value through other comprehensive income		**489,917**	474,885
Financial assets at fair value through profit or loss		**976,721**	996,500
Deferred tax assets		**126,183**	121,718
Other non-current assets		**255,796**	206,016
Total non-current assets		**8,422,963**	8,337,280
CURRENT ASSETS			
Inventories		**5,750,897**	4,707,549
Trade and bills receivables	*11*	**1,784,190**	1,525,209
Contract assets		**17,016**	14,993
Prepayments, other receivables and other assets		**501,140**	566,687
Due from related parties		**47,506**	44,088
Financial assets at fair value through profit or loss		**1,344,007**	980,909
Derivative financial instruments		**(1,940)**	248
Pledged deposits		**30,284**	11,581
Time deposits		**1,110,000**	1,440,000
Cash and cash equivalents		**2,355,848**	1,479,633
Total current assets		**12,938,948**	10,770,897
CURRENT LIABILITIES			
Trade payables	*12*	**554,266**	385,787
Other payables and accruals		**466,099**	608,729
Dividends payable		**51,355**	–
Contract liabilities		**484,116**	377,814
Interest-bearing bank and other borrowings		**5,368,927**	3,268,166
Tax payable		**125,102**	112,997
Due to related parties		**40,199**	6,223
Lease liabilities		**27,798**	31,754
Total current liabilities		**7,117,862**	4,791,470

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022

	Notes	**June 30, 2022** ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
NET CURRENT ASSETS		**5,821,086**	5,979,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,244,049**	14,316,707
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,593,832**	2,250,270
Deferred income		**17,460**	16,673
Deferred tax liabilities		**311,933**	275,358
Long-term employee benefits		**64,111**	138,020
Other non-current liabilities		**9,558**	9,070
Lease liabilities		**101,162**	104,001
Total non-current liabilities		**2,098,056**	2,793,392
Net assets		**12,145,993**	11,523,315
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1,467,296**	1,467,296
Reserves		**10,566,836**	9,944,058
Total equity attributable to owners of the parent		**12,034,132**	11,411,354
Non-controlling interests		**111,861**	111,961
Total equity		**12,145,993**	11,523,315

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Founded in Shenzhen in 1998, Hepalink is a leading multinational pharmaceutical company with A+H dual financing platform. The main business includes the investment, development and commercialization of the heparin industry chain, bio-macromolecule CDMO and innovative drugs. The Group's three business segments are synergistic and driven by unmet clinical needs; committing to providing high quality, safe and effective drugs and services for global patients to protect their health.

The Group's businesses span the manufacture and sales of pharmaceutical products, development of Contract Development and Manufacturing Organization ("**CDMO**") services and innovative drugs. Our sales of pharmaceutical products consist of (i) finished dose pharmaceutical products, which mainly include enoxaparin sodium injection; (ii) active pharmaceutical ingredient ("**API**") products, which mainly include heparin sodium API and enoxaparin sodium API; and (iii) other products, which mainly include pancreatin API. In the field of heparin industry chain, Hepalink is one of the leaders in the industry and market. The finished dose enoxaparin sodium pharmaceutical products of the Group are currently sold in more than 40 countries worldwide. Since the approval of finished dose enoxaparin sodium pharmaceutical product by EMA through the Centralized Procedure (CP) in 2016, relying on excellent product quality and stable efficacy, the sales volume in the first half of 2022 was over 114 million units, being the lead among domestic companies in the industry; and as the finished dose enoxaparin sodium pharmaceutical product obtained the consistency evaluation on generic drug quality and efficacy from NMPA of China in October 2020, the Group is the first evaluation-passed supplier of finished dose enoxaparin sodium pharmaceutical products.

We operate a CDMO business providing research and development ("**R&D**"), manufacturing, quality management and program management services, through our wholly-owned subsidiaries Cytovance Biologics, Inc. ("**Cytovance**"), which specializes in the development and manufacture of recombinant pharmaceutical products and critical non-viral vectors and intermediates for gene therapy, and SPL Acquisition Corp. ("**SPL**"), which provides services in the development and manufacture of naturally derived pharmaceutical products.

The Group has obtained exclusive development and commercial rights in Greater China for certain clinical stage innovative drug candidates which are being developed for the treatment of diseases with an immune system axis. We are also developing a self-discovered proprietary drug candidate currently at preclinical stage.

Business Review

During the first half of 2022, the Group was in a more complicated operating environment. Internationally, the global economic situation remains complex and critical, with the ongoing pandemic, high inflation, the outbreak of Russo-Ukrainian War and monetary policy adjustments in developed economies being factors of uncertainty in the global economy, implying that global growth is entering a period of significant slowdown. Domestically, the novel coronavirus variant, Omicron, has caused a new round of transmission resulting in serious disruption. Due to Omicron's characteristics of high transmissibility, broad coverage and frequent occurance, major cities in China have implemented measures of lockdown. Even though the long-term positive fundamentals of China's economy and the favorable conditions for a new development layout remain, the economy was hit harder in the second quarter, with GDP growth of 0.4% in the second quarter of 2022, a significant decline compared to the first quarter of 2022.

In 2022, the Group is committed to consolidating and enhancing its competitive strengths to build an integrated operating ecosystem to drive development momentum as well as the high-quality development of the Group. During the Reporting Period, the Group actively upgraded its global supply chain planning, and through its global advantages of being the link between upstream and downstream industries, we reinforced our supply chain management to create more favorable operating conditions. First of all, we actively ensured the operation of the entire supply chain, stepped up the coordination and support to suppliers, and were dedicated to reducing the impact of uncertainties in order to protect the growth and profitability of our operations. In addition, the Group further improved supply chain visibility, deepened upstream and downstream collaborations to proactively plan and monitor supply risks, and strengthened inventory management and forecasting to cope with the impact of the pandemic. At the same time, we are opening up information pipelines in the value chain and improving the transparency of supply and demand information. Information on changes in demand, production restrictions and supply constraints must be made timely and transparent, so that we can accurately and quickly adjust our production plans in response to changes in the business environment and reduce the risk of potential supply and demand mismatches and short-term fluctuations amplified by information asymmetry.

During the Reporting Period, the number of Omicron cases in the PRC continued to rise, resulting in various forms of lockdown in several provinces, which put pressure on the Group's operations due to road closures, traffic restrictions and mobility restrictions in various provinces and cities, causing severe disruptions to logistics and the supply chain. On the one hand, the Group immediately adjusted its operational strategies to ensure the stability of production and supply and to meet customers' demand; on the other hand, we actively promoted supply chain management. Through demand forecasting, production and sales synergies, production scheduling and inventory management, we effectively mitigated the significant impact of the pandemic on our operations and fostered the resilience of our own supply chain to ensure business continuity and global supply of products. During the Reporting Period, we were able to effectively implement our strategic blueprint and overcome the challenges posed by geopolitics, the COVID-19 pandemic and supply shortages to achieve rapid operating income growth and significant improvements in net profit.

As of June 30, 2022, Hepalink's revenue reached RMB3,756.3 million, an increase of 20.7% year-on-year. Its profit attributable to equity holders increased by 51.2% to RMB511.1 million, with both operating income and net profit increasing, thus achieving its key production and operational performance targets.

During the Reporting Period, all of the Group's businesses achieved relatively good growth. Benefiting from the continuous development of the Company's enoxaparin sodium finished dose in various regions around the world and the stable growth of API business orders, the Group's revenue from the heparin industrial chain business achieved rapid growth; meanwhile, based on the steady growth of orders on hand and the continuous improvement of on-time and successful delivery rate, the revenue from the Group's CDMO business maintained a stable growth trend. Simultaneously, the Group's profitability continued to increase as well. On the one hand, the Group actively promoted the strategy of improving the management and operation efficiency of the global supply chain, and its effective implementation and execution have achieved periodical results; on the other hand, benefiting from the continuous decrease in the price of raw materials in the second half of 2021, taking into account the factors of production and sales cycle, the decrease in purchase price of raw materials resulted in the gradual decrease in sales cost during the Reporting Period, and the Group's gross profit margin showed rebound, resulting in an improvement in the overall profitability. During the Reporting Period, the Group actively optimized its organizational structure and strategy, and steadfastly pursued and implemented its efforts to maintain its growth momentum and reinforce its market position in the heparin industry chain. Meanwhile, leveraging its commercial strength and operational excellence, the Group continued to strengthen its production capacity and product portfolio while expanding its footprint globally and to other markets of individual strategic value, achieving satisfactory results.

Sales

The Group mainly operates three main business segments, including (i) heparin industrial chain business; (ii) CDMO business; and (iii) new drug pipelines business.

Heparin Industrial Chain Business

During the Reporting Period, the Group's heparin industrial chain business grew by 19.4%, achieving sales revenue of RMB3,268.9 million (the same period of last year: RMB2,737.6 million).

During the Reporting Period, the Group maintained strong growth in sales of finished dose pharmaceutical products, with sales revenue increasing by 41.9% as compared to the same period last year, achieving sales revenue of RMB1,601.9 million (the same period of last year: RMB1,128.7 million) and gross profit of RMB546.0 million (the same period of last year: RMB451.5 million), representing an increase of 20.9%. During the Reporting Period, despite the impact of the pandemic on supply and logistics, the Group, on the one hand, insisted on ensuring the stability of supply and, on the other hand, actively explored markets with more than 114 million units of enoxaparin sodium finished doses sold in the first six months of 2022. For the Group's enoxaparin sodium finished doses, it achieved strong sales growth of 184.9% in the U.S. regional market and a double-digit sales growth in international markets including Europe, China and other major regional markets.

Europe remains a key core market for the Group's finished dose pharmaceutical products business. During the Reporting Period, the Group achieved solid results in the sales of enoxaparin sodium finished doses in Europe. The Group focused on sales in the five self-operated countries. On the one hand, we strengthened the tracking of hospital networks in each regional market to ensure stable supply of products and advanced planning for bidding projects, so as to reinforce and solidify our sales and supply work in hospitals. We will also enhance our sales synergy in pharmacies, further amplifying the spillover effect of hospital networks and boosting sales in retail channels, thereby improving sales profitability in Europe. Concurrently, we are actively exploring new markets in other regions of Europe. By virtue of our excellent product quality, we achieved sales volumn breakthroughs in markets such as France and Switzerland in the first half of the year, further securing the Group's market position in Europe.

The Group's sales performance in the U.S. market was satisfactory. Since 2021, the Group has been working together with our strategic partners in the U.S. and has maintained steady growth in the sales of enoxaparin sodium finished dose, which have been rapidly gaining recognition in the U.S. market over the past one and a half years. During the Reporting Period, the Group's sales office in the U.S. was put into service. We actively built a professional sales team and strengthened channel building to prepare for future self-operated sales.

In non-European and American overseas markets, the Group's sales grew satisfactorily during the Reporting Period, thanks to our continuous efforts in building up our business over the past two years. We actively accelerated the process of internationalization, increased the market share of our products as well as the ability of our international pharmaceutical products to be registered and filed, thereby improving our sales capacity in the international market and striving to increase our market share in new regions; simultaneously, we actively and orderly strengthened the establishment of core markets and continuously optimized the layout of our non-European and American overseas markets to ensure that the quality of sales development and risk resistance capacity of overseas markets were continuously enhanced.

In the PRC market, during the Reporting Period, the sales of enoxaparin sodium finished doses of the Group enjoyed a good growth momentum, with sales expansion in 31 provinces and cities across the country. The Group's enoxaparin sodium finished dose is the first product in China to pass the national consistency evaluation, and has excellent product quality and price advantages. In the face of deepening national healthcare system reforms, we have actively seized the opportunity to enter into various centralized procurement catalogues. In addition, the Group organized several medical conferences and participated in more than 300 academic conferences and other academic activities during the Reporting Period to promote academic exchanges in the field and continue to make contributions to science popularization education in the field of low molecular weight heparin in China; at the same time, we actively expanded the sales channels, grasped the internet medical resources and expanded the internet medical platform. Prolongin (普洛靜) became the first enoxaparin sodium injection brand to come online in cooperation with leading internet platforms which reflected our original intention of "benefiting patients and facilitating medical treatment". In addition, based on the feedback from the cooperative hospital on the therapeutic effect of the drugs and the suggestions on clinical medication, we made efforts to improve the Group's products related to thromboembolic diseases so as to better meet the demand of the Chinese market. The Group has also continuously enhanced the influence of relevant brands, rapidly established a new market structure, and is committed to improving the treatment level of thromboembolic diseases in China.

During the Reporting Period, in line with the Group's fast-growing business needs and future development plans, the construction of the Group's finished dose production line in the Pingshan campus was officially commenced. The first phase of the project, with a production capacity of 360 million units per annum, is expected to be delivered in 2024 and achieved commercial batch production in 2025. We believe that with the completion of the new production line of finished doses, it will provide stronger support to the Group's finished dose pharmaceutical products business.

About finished dose enoxaparin sodium pharmaceutical products: finished dose enoxaparin sodium pharmaceutical product is one type of low molecular weight heparin ("**LMWH**") finished doses, which is widely used in clinical practice. Its main indications include prophylaxis of venous thromboembolic disease (prophylaxis of venous thrombosis), especially thrombosis related to orthopedics or general surgery; treatment of developed deep vein embolism with or without pulmonary embolism; used in hemodialysis and extracorporeal circulation to prevent thrombosis, etc. Finished dose enoxaparin sodium pharmaceutical product of the Group is the first generic drug in the European Union and was approved by the European Medicines Agency (the "**EMA**") through the Centralized Procedure (CP) in 2016. According to the Clinical Guidelines issued by the World Health Organization and the National Institute for Health and Care Excellence of the United Kingdom, LMWH can also be used to prevent complications caused by COVID-19.

API Business

During the Reporting Period, heparin API business of the Group achieved steady growth, and the sales revenue was approximately RMB1,610.3 million (the same period of last year: RMB1,534.5 million), accounting for 42.9% of the Group's total revenue, and the gross profit margin was 29.8%. During the Reporting Period, based on the Group's strategic blueprint for its global supply chain, we continued to optimize the production and operation management of the relevant industry chains. With the decrease in raw material prices for pharmaceuticals in the second half of 2021, followed by a gradual downward trend in the production chain, we actively controlled production costs and continued to improve our operating efficiency and gross profit level, with gross profit margin of API business increasing by 3.3 percentage points to 29.8% (the same period of last year: 26.5%).

For a long time, the Group has focused on market and customer demands and actively promoted its own beneficial development in order to consolidate its position in the heparin API industry. During the Reporting Period, with its long-term investment in the API business, the Group has achieved sound results in successfully advancing its annual production and sales planning to better meet the needs of external customers and its own business development. On the one hand, in the face of regional control and transportation and logistics disruptions caused by the rebound of the pandemic in China, as well as disruptions in the international shipping chain due to geopolitical conflicts, cargo backlog and logistics in some regions, the Group steadfastly promoted its established supply chain strategy to ensure the normal operation of the Group's business and goods as well as the API business around the world. On the other hand, the Group continued to strengthen the development of its own enoxaparin API industry chain and continued to enhance the quality of our enoxaparin APIs. The heparin APIs produced by the Group have a high degree of consistency in production craftsmanship and product quality, and have continued to receive high recognition from customers around the world during the Reporting Period.

About Heparin: Heparin is a type of anticoagulant drug with various functions such as anticoagulation and antithrombosis. The heparin industry consists of the initial upstream procurement of porcine small intestines, the upstream extraction of crude heparin, the midstream manufacture of heparin APIs and the downstream manufacture and supply of enoxaparin finished dose. Heparin Sodium API is mainly used for the manufacture of standard heparin finished doses and LMWH APIs, which in turn are used for the manufacture of LMWH finished doses. The Group has two major manufacture bases for Heparin Sodium API in China and the United States. Apart from being partly supplied to Shenzhen Techdow Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, the Heparin Sodium APIs are mainly sold to overseas customers, including a number of world-renowned multinational pharmaceutical enterprises.

CDMO Business

During the Reporting Period, sales revenue of CDMO business was approximately RMB468.2 million (the same period of last year: RMB355.4 million). Gross profit level improved significantly, with gross margin up 11.7 percentage points to 37.6%.

During the Reporting Period, Cytovance under the Group's CDMO business performed well. With its excellent R&D, operational and project management capabilities, Cytovance submitted a high quality delivery record and maintained its revenue growth with a 14.0% increase in revenue, with service revenue maintaining a growth of 11.9%. At the same time, orders on hand also maintained a relatively good upward trend. This is due to Cytovance's continuous improvements in market insight and business development capabilities, allowing it to actively explore new business resources, secure service contracts from new customers and increase the number of CDMO projects on hand; additionally, Cytovance explored the practical needs of existing customers and expanded the scope of its business. During the Reporting Period, Cytovance entered into a collaboration with Avantor, a world-renowned provider of life sciences, advanced biotechnology and applied materials, to provide U.S. cGMP-compliant plasmid manufacturing services and GMP-grade plasmid products to biopharmaceutical customers. The collaboration is expected to enhance Cytovance's global presence and brand advantages, and to reinforce its technological barriers.

Progress of Innovative Drugs

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets S. aureus alpha-toxin. It is being developed by the joint-stock subsidiary Aridis Pharmaceuticals, Inc. (a company listed on the NASDAQ, stock code: ARDS). It is currently in a global Phase III clinical trial as an adjunctive therapy to standard of care antibiotics in patients diagnosed with ventilator associated pneumonia (VAP) caused by S. aureus. Results of a Phase I/II clinical trial completed in the United States in the earlier stage have shown that patients treated with AR-301 in combination with antibiotics demonstrated less time spent under mechanical ventilation and higher rates of S. aureus eradication as compared to those treated with antibiotics alone. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the EMA.

In June 2021, the Group's Phase III global clinical trial of its innovative drug AR-301 as an antibiotic adjuvant for the treatment of respiratory-associated pneumonia caused by Staphylococcus aureus ("**AR-301-002**") was completed with the first patient dosing in the Greater China region. As of June 30, 2022, a total of 166 subjects have been enrolled worldwide, with approximately 104 subjects meeting the mITT criteria.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by the joint-stock subsidiary OncoQuest Inc. ("**OncoQuest**"). It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The results of the Phase II clinical trial have shown the safety and efficacy of Oregovomab in such combined standard treatment regime for advanced primary ovarian cancer patients were in line with efficacy expectations. The Phase II clinical results have shown a significant prolongation of median progression-free survival (PFS) of 41.8 months in such combined standard treatment regime, compared with 12.2 months in chemotherapy-only regime with an HR of 0.46 (95% Cl: 0.28, 0.77). It also showed a significant improvement in overall survival (OS) with an HR of 0.35 (95% Cl: 0.16, 0.76). Oregovomab has obtained Orphan Drug Designation from the United States Food and Drug Administration (the "**FDA**") and the European Medicines Agency (the "**EMA**").

The first patient in a Phase III clinical trial of the Group's Oregovomab was dosed in the United States in 2020. This pivotal global trial is expected to enroll 602 patients from 140 clinical sites in 17 countries. As of June 30, 2022, a total of 130 clinical centres have been established worldwide and over 330 subjects have been enrolled. OncoQuest is in the process of supplementing the relevant non-clinical tests in accordance with the CDE's requirements and to submit an IND application to the CDE for China to join MRCT as soon as possible.

RVX-208 (Apabetalone)

RVX-208 is a selective inhibitor of bromodomain and BET proteins with selectivity for the second bromodomain. It is the first small molecule drug to be developed by the joint-stock subsidiary RVX (a public company listed on the Toronto Stock Exchange, stock code: RVX). RVX-208 has completed phase III clinical trial (BETonMACE) in combination with standard of care to reduce major adverse cardiovascular events among high-risk cardiovascular disease patients with type II diabetes mellitus, recent acute coronary syndrome, and low levels of high-density lipoprotein (HDL). RVX-208 was granted Breakthrough Therapy Designation by the FDA in February 2020 and the clinical plan for pivotal phase III was approved by the FDA in June 2020. Apabetalone is the first drug in its class to receive FDA Breakthrough Therapy approval for a major cardiovascular indication, and Hepalink will further advance its drug development program in the future, including the planned clinical trials, and the implementation of an accelerated development strategy.

H1710

H1710 is a potent acetyl heparinase inhibitor self-developed by the Group. It has an appropriate chain length to bind to the two independent heparin binding domains (HBD) of heparanase, and its unique flexible chain and structure enable penetration into the heparanase catalytic bag and prevent its degradation. H1710 reduces the accessibility of the heparanase catalytic bag and its ability to degrade the natural matrix acetyl heparan sulfate (HS) in this manner. The drug candidate is currently in the preclinical stage with non-clinical pharmacodynamic studies demonstrating significant tumor suppression in multiple tumor models compared to standard therapies.

As of June 30, 2022, H1710 has completed production of the APIs and finished dose, and is in the process of conducting stability studies for the APIs and finished dose, with a 3-month stability study for the finished dose in progress, and stability studies and impurity testing of finished dose completed.

Outlook

In the second half of 2022, the macroeconomic and industry environment in which the Group operates will see many new developments and changes, and we believe that the opportunities ahead will outweigh the challenges. We are committed to our strategic objective of enhancing the value of our supply chain, and will make efforts to implement quality and efficiency enhancement initiatives. The Group will continue to build on its existing operational basis, promote its cost advantage and increase its profit level, and actively achieve its goal of improving financial performance and profitability.

The Group will continue to push ahead with its strategy of furthering supply chain management in a comprehensive manner and strive to overcome various adverse impacts in the operating environment. Through the implementation and effective promotion of relevant mechanisms, we will enhance operational efficiency and ensure the achievement of our annual targets. We will further optimize our operations and management in keeping with the needs of the global market, strengthen cross-discipline resource planning and coordination, and meet customer needs with greater flexibility. At the same time, the Group will improve the distribution of global supply chains to form a more flexible global industrial system in order to meet the challenges in the supply chain. We will also actively promote the integration of high-value sales markets, expand the scale of our cooperation and sales, and effectively enhance our ability to secure supply contracts and regional market competitiveness, with the aim of fully exploiting the growth potential of the market.

In the finished dose pharmaceutical products business, the Group will continue to maintain its leading position in all European regional markets. We will prudently adjust our bidding strategy to secure the Group's profitability in the European market. In addition, we will deepen our operational and management model in accordance with local market characteristics and optimize our hospital sales and retail planning to further drive sales in the retail market, with a view to growing our presence and increasing our market share in Europe. Meanwhile, the Group will actively respond to the government's centralized procurement efforts to enable Chinese patients to have access to high quality drugs domestically and to rapidly increase sales in the domestic market, given the vast market space and the uncontrolled competition in the industry, which will gradually improve under the new government policy. In addition, with our upstream and downstream strengths, we will accurately judge and assess the demand and scale of overseas markets, and focus our resources on those profitable regions, so as to facilitate the further rapid development of the Group's overseas business.

For the API business, the Group will continue to step up its resource coordination capabilities to support the rapid development of the finished dose pharmaceutical products business on the one hand, and to efficiently meet customers' needs on the other, while continuing to leverage the synergy of the integrated industry chain. With the support of our global production chain, we will further strengthen the connection among our product technology, industrial chain and overseas business, and make use of our comprehensive global network and channels to rapidly promote the penetration of high quality products in the global market. At the same time, we will adhere to our high quality production specifications and standards to reinforce the Group's dominant position in the API market through our competitive edge in terms of product quality and pricing. In addition, we will continue to actively promote the development of enoxaparin sodium API business as our key business, thereby making it a new growth driver for the Group.

In terms of the CDMO business, the Group will strengthen its technological advantages and leverage its technological strength and unique market advantages to bring Cytovance ample room for growth and good opportunities for development. The Group will strive to maintain its leading position in mammalian cell culture and microbial fermentation technologies, further enhance the on-time delivery rate and success rate of the Group's CDMO projects as well as accelerate the development of the scale of the two business wings, facilitating the improvement of the overall revenue scale and efficiency of Cytovance. In addition, we will actively pursue Cytovance's R&D and capacity expansion plans to provide additional production capacity for our CDMO business in the future and to fuel Cytovance's long-term growth.

In terms of innovative drugs, the Group will continue to adhere to the principles of rational investment, effective allocation, forward planning and meticulous management in the allocation of resources for the R&D of innovative drugs, thereby advancing the clinical development process of innovative drugs and striving to achieve substantial progress for the collective benefit of all parties.

For our business plan in the second half of the year, the Group is determined to achieve a steady increase in sales volume in its core business, to seize the opportunity to increase profitability by leveraging the price of crude products, to further strengthen internal synergies and to fully unlock the benefits of the industrial chain's production capacity. We will also accelerate the construction of the Group's financial and human resources sharing center and the strategic transformation of our marketing strategy to digitalization, optimize our organizational development support system and improve our business and management standards. In anticipation of the various potential risks facing the global supply chain in the latter half of the year, the Group will strive to improve the efficiency and management of its global supply chain, continue to implement its established strategic blueprint and build a stable and reliable supply chain protection system. In the face of a volatile business environment, we will develop rationally while paying constant attention to the external environment, allocate resources more prudently and explore opportunities to achieve high-quality development in the future through the effective enhancement of our own mechanisms, sales platforms, products and services.

Financial Review

Revenue

	For the six months ended June 30,				
	2022 Sales amount RMB'000 (unaudited)	**2022 % of Revenue**	**2021 Sales amount RMB'000 (unaudited)**	**2021 % of Revenue**	**Year-on-year increase/ decrease (%)**
Sale of goods	**3,268,855**	**87.0%**	2,737,621	88.0%	19.4%
Finished dose pharmaceutical products	**1,601,941**	**42.6%**	1,128,746	36.3%	41.9%
API	**1,610,312**	**42.9%**	1,534,467	49.3%	4.9%
Others[(1)]	**56,602**	**1.5%**	74,408	2.4%	(23.9%)
CDMO services	**468,180**	**12.5%**	355,406	11.4%	31.7%
Others[(2)]	**19,300**	**0.5%**	18,137	0.6%	6.4%
Total	**3,756,335**	**100.0%**	**3,111,164**	**100.0%**	**20.7%**

Notes:

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

Revenue from manufacturing and sales of goods increased by RMB531.2 million to RMB3,268.9 million, accounting for 87.0% of the total revenue during the Reporting Period, as compared with RMB2,737.6 million, accounting for 88.0% of the Group's revenue in the corresponding period in 2021. The increase in revenue from manufacturing and sales of goods was mainly due to the year-on-year increase in sales revenue of API and finished dose pharmaceutical products during the Reporting Period. Due to the recovery of sales of finished dose pharmaceutical products in the European market--the world's leading market, coupled with ideal expansion in the United States as well as non-European and American markets, leading to a year-on-year increase of 41.9% in the sales revenue of our finished dose pharmaceutical products business.

Cost of sales

For the six months ended June 30, 2022, cost of sales increased by RMB403.6 million to RMB2,537.9 million (the same period of last year: RMB2,134.3 million). The increase in cost of sales was mainly due to the increase in scale of sales during the Reporting Period.

Operating Costs

Gross profit

	For the six months ended June 30,			
	2022	**2022**		**2021**
	2022	**Gross profit**	**2021**	**Gross profit**
	Gross profit	**margin**	**Gross profit**	**margin**
	RMB'000	**(%)**	**RMB'000**	**(%)**
	(unaudited)		**(unaudited)**	
Sale of goods	**1,023,644**	**31.3%**	867,168	31.7%
Finished dose pharmaceutical products	**545,970**	**34.1%**	451,499	40.0%
API	**479,295**	**29.8%**	407,115	26.5%
Others[(1)]	**(1,621)**	**(2.9%)**	8,554	11.5%
CDMO services	**176,030**	**37.6%**	92,182	25.9%
Others[(2)]	**18,803**	**97.4%**	17,557	96.8%
Total	**1,218,477**	**32.4%**	**976,907**	**31.4%**

Notes:

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

For the six months ended June 30, 2022, gross profit increased by RMB241.6 million to RMB1,218.5 million (the same period of last year: RMB976.9 million). During the Reporting Period, gross profit margin was 32.4% (the same period of last year: 31.4%). The increase in gross profit margin was mainly due to the increase in the gross profit margin of API and CDMO services during the Reporting Period.

Finance Costs

The Group's finance costs consist of interest on bank borrowings and corporate bonds and finance costs. For the six months ended June 30, 2022, finance costs increased by RMB14.6 million to RMB123.0 million (the same period of last year: RMB108.4 million), representing an increase of 13.5%. The increase in finance costs was mainly due to an increase in interest-bearing loans and borrowings as compared with the corresponding period in 2021.

Taxation

For the six months ended June 30, 2022, income tax expense was RMB118.6 million (the same period of last year: RMB78.3 million), representing an increase of approximately 51.5%.

Profit Attributable to Equity Holders of the Company

For the six months ended June 30, 2022, profit attributable to equity holders of the Company was RMB511.1 million (the same period of last year: RMB338.2 million), representing an increase of approximately 51.2%.

Non-IFRS Measures

To supplement our consolidated financial information, which is presented in accordance with the International Financial Reporting Standards (the "**IFRSs**"), we also use adjusted net profit as additional financial measures, which is unaudited and not required by, or presented in accordance with, IFRSs. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management compare our financial results across accounting periods and with those of our counterparts.

The Company believes that the adjusted non-IFRS net profit attributable to owners of the parent is useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted non-IFRS financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of the adjusted non-IFRS net profit attributable to owners of the parent is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. The adjusted non-IFRS net profit attributable to owners of the parent does not have a standardized definition prescribed under the IFRSs and therefore may not be comparable to similar measures presented by other companies. Shareholders and potential investors should not view the adjusted non-IFRS net profit attributable to owners of the parent on a stand-alone basis or as a substitute for results under the IFRSs, or as being comparable to results reported or forecasted by other companies.

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to equity holders of the parent	**511,140**	338,159
Non-recurring profit and loss		
Gains or losses from disposal non-current assets	**(62)**	1,657
Government grants through profit or loss	**14,393**	17,255
In addition to the effective hedging business related to the normal business operations of the Company, the changes in fair value gains and losses arising from holding financial assets for trading, derivative financial assets, financial liabilities for trading and derivative financial liabilities, as well as investment income from disposing financial assets for trading, derivative financial assets, financial liabilities for trading, derivative financial liabilities and other debt investments	**(5,220)**	51,892
Other non-operating income and expenses apart from those stated above	**(797)**	(4,167)
Effect on enterprise income tax	**(1,449)**	(13,235)
Effect on interest of minority shareholders (after tax)	**(22)**	(43)
Total	**6,843**	53,359
Adjusted non-IFRS net profit attributable to owners of the parent (net of non-recurring profit and loss)	**504,297**	284,800

Earnings per Share

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six months ended June 30, 2022. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six months ended June 30, 2022 (with adjustments made for all potential dilution effect of the ordinary shares).

For the six months ended June 30, 2022, both basic earnings per share and diluted earnings per share were RMB0.35 (the same period of last year: RMB0.23), representing an increase of approximately 51.2%.

Liquidity and Financial Resources

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and expected profitability and operating cash flows, expected capital expenditures and expected strategic investment opportunities. The Group closely monitors its debt-to-asset ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Risk

For the six months ended June 30, 2022, the Group's primary source of revenue is from sales in overseas markets, and major currencies of settlement are Euro and U.S. dollar. There are many overseas companies within the scope of consolidation, involving Euro, U.S. dollar, Hong Kong dollar, etc., and drastic fluctuation of the international exchange rate may have a significant impact on the Company's foreign exchange gains and losses. The Group's foreign exchange gains and losses include unrealized foreign exchange gains and losses related to its internal foreign currency borrowings due to the fact that the reporting currency is different in the domestic and overseas companies, and the foreign currency statement translation differences are not accounted through foreign exchange gains and losses. Therefore, there were unrealized foreign exchange gains and losses in the domestic and overseas companies themselves that cannot be offset in the statement of profit or loss. Such after tax unrealized foreign exchange gains during the Reporting Period were RMB132.2 million. The Company will use financial market tools in a more flexible way, including export bill purchase, foreign exchange derivatives and other tools to reduce the risk of foreign exchange losses caused by exchange rate fluctuations, and will actively promote the approval procedures for the conversion of internal borrowings to lower the effect of unrealized foreign exchange gains and losses caused by internal transactions on the results.

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary business operations. As at June 30, 2022, the Group's cash and bank balances were approximately RMB2,355.8 million (December 31, 2021: approximately RMB1,479.6 million).

Capital Structure

As at June 30, 2022, the Group recorded short-term loans of approximately RMB5,368.9 million (December 31, 2021: approximately RMB3,268.2 million) and long-term loans of approximately RMB1,593.8 million (December 31, 2021: approximately RMB2,250.3 million).

Pledge of Assets

As at June 30, 2022, the Group's assets of approximately RMB2,970.7 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2021: approximately RMB2,491.7 million).

Contingent Liabilities

As at June 30, 2022, neither the Group nor the Company had material contingent liabilities (December 31, 2021: nil).

Asset-liability Ratio

As at June 30, 2022, the Group's total assets amounted to approximately RMB21,361.9 million, (December 31, 2021: approximately RMB19,108.2 million), whereas the total liabilities amounted to approximately RMB9,215.9 million (December 31, 2021: approximately RMB7,584.9 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 43.1% (December 31, 2021: approximately 39.7%).

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates to the interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage our interest cost using a mix of fixed and variable rate debts. As at June 30, 2022, the Group had approximately 93.6% interest-bearing borrowings bore interest at fixed rates (December 31, 2021: approximately 93.7%).

Indebtedness

	As at June 30, 2022 ***RMB'000*** **(unaudited)**	As at December 31, 2021 *RMB'000* (audited)
Interest-bearing bank and other borrowings	**6,962,759**	5,518,436
Lease liabilities	**128,960**	135,755
Total financial indebtedness	**7,091,719**	5,654,191
Pledged bank deposits, cash and cash equivalents	**(30,287)**	(11,581)
Net financial indebtedness	**7,061,432**	5,642,610

The maturity profile of the Group's interest-bearing bank and other borrowings is set out as follows:

	As at June 30, 2022 ***RMB'000*** **(unaudited)**	As at December 31, 2021 *RMB'000* (audited)
Repayable:		
Within one year or on demand	**5,368,927**	3,268,166
After one year but within two years	**483,803**	1,604,635
After two years but within five years	**630,692**	143,412
After five years	**479,337**	502,223
Total	**6,962,759**	5,518,436

The Group's bank borrowings as at June 30, 2022 were approximately RMB5,005.1 million (December 31, 2021: RMB3,840.0 million). As at June 30, 2022, the Group's corporate bond was approximately RMB1,374.9 million (December 31, 2021: RMB1,610.7 million). As at June 30, 2022, the Group's total amount of other borrowings was RMB582.7 million (December 31, 2021: RMB67.7 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2022

1. Corporate Information

The Company is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on April 21, 1998. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002399.SZ) on May 6, 2010. The Company completed its public offering in Hong Kong and its H shares were listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (stock code: 9989) on July 8, 2021. The registered address of the office of the Company in the PRC is No. 21 Langshan Road, Nanshan District, Shenzhen. The Company's principal place of business in Hong Kong is at Room 4724, 47/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The Company is ultimately controlled by Mr. Li Li and Ms. Li Tan who are acting in concert.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in biopharmaceutical production, biopharmaceutical services, biopharmaceutical trading and biopharmaceutical research and development in Asia, Europe, North America and Australia, and investment business in Asia, Europe and North America.

This interim condensed consolidated financial information was approved for issuance by the Audit Committee and the Board on August 29, 2022.

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021, which has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. The Group's interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

The financial information relating to the six months ended June 30, 2021 that is included in the interim condensed consolidated financial information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after January 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the finished dose pharmaceutical products segment includes enoxaparin sodium injection;

(b) the active pharmaceutical ingredient segment includes heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients;

(c) the CDMO segment includes R&D, manufacturing, quality management, program management and commercial manufacture under customers' specific order; and

(d) the "others" segment.

Segment revenue and results

For the six months ended June 30, 2022 (unaudited)

Segment	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**1,601,941**	**1,610,312**	**468,180**	**75,902**	**3,756,335**
Intersegment sales	**1,079,759**	**1,633,576**	**1,361**	**222,999**	**2,937,694**
	2,681,700	**3,243,888**	**469,541**	**298,901**	**6,694,029**
Reconciliation:					
Elimination of intersegment sales					**(2,937,694)**
Revenue from contracts with customers					**3,756,335**
Segment results:	**453,645**	**576,233**	**177,455**	**51,446**	**1,258,778**
Reconciliation:					
Elimination of intersegment results					**(40,301)**
Other income and gains					**140,353**
Selling and distribution expenses					**(243,563)**
Administrative expenses					**(298,078)**
Impairment losses on financial assets					**(9,252)**
Other expenses					**(892)**
Finance costs					**(123,014)**
Share of profits and losses of associates					**(54,990)**
Group's profit before tax					**629,041**

For the six months ended June 30, 2021 (unaudited)

Segment	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	1,128,746	1,534,467	355,406	92,545	3,111,164
Intersegment sales	945,006	1,387,257	951	96,370	2,429,584
	2,073,752	2,921,724	356,357	188,915	5,540,748
Reconciliation:					
Elimination of intersegment sales					(2,429,584)
Revenue from contracts with customers					3,111,164
Segment results:	296,214	430,466	92,357	32,439	851,476
Reconciliation:					
Elimination of intersegment results					125,431
Other income and gains					5,990
Selling and distribution expenses					(195,059)
Administrative expenses					(259,307)
Impairment losses on financial assets					(10,640)
Other expenses					(4,189)
Finance costs					(108,369)
Share of profits and losses of associates					9,485
Group's profit before tax					414,818

Geographical information

(a) Revenue from external customers

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Hong Kong	**61,857**	92,907
United States of America	**675,882**	332,186
Europe	**1,906,724**	1,906,642
Mainland China	**319,804**	273,928
Other countries/regions	**792,068**	505,501
	3,756,335	3,111,164

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at June 30,	As at December 31,
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Mainland China	**2,863,063**	2,850,044
United States of America	**3,506,849**	3,368,616
Europe	**131,054**	141,086
Hong Kong	**329,177**	384,431

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the period ended June 30, 2021, revenue of approximately RMB560,616,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the period ended June 30, 2022, revenue of approximately RMB453,907,000 derived from a single external customer accounted for more than 10% of the total revenue.

4. Revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended June 30, 2022 (unaudited)

Segment	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services					
Sale of products	**1,601,941**	**1,610,312**	**–**	**56,602**	**3,268,855**
CDMO services	**–**	**–**	**468,180**	**–**	**468,180**
Others	**–**	**–**	**–**	**19,300**	**19,300**
Total revenue from contracts with customers	**1,601,941**	**1,610,312**	**468,180**	**75,902**	**3,756,335**
Timing of revenue recognition					
Products transferred at a point in time	**1,601,941**	**1,610,312**	**–**	**56,602**	**3,268,855**
Services transferred at a point in time	**–**	**–**	**107,029**	**5,837**	**112,866**
Services transferred over time	**–**	**–**	**361,151**	**13,463**	**374,614**
Total revenue from contracts with customers	**1,601,941**	**1,610,312**	**468,180**	**75,902**	**3,756,335**

For the six months ended June 30, 2021 (unaudited)

Segment	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services					
Sale of products	1,128,746	1,534,467	—	74,408	2,737,621
CDMO services	—	—	355,406	—	355,406
Others	—	—	—	18,137	18,137
Total revenue from contracts with customers	1,128,746	1,534,467	355,406	92,545	3,111,164
Timing of revenue recognition					
Products transferred at a point in time	1,128,746	1,534,467	—	74,408	2,737,621
Services transferred at a point in time	—	—	43,511	4,232	47,743
Services transferred over time	—	—	311,895	13,905	325,800
Total revenue from contracts with customers	1,128,746	1,534,467	355,406	92,545	3,111,164

The following table shows the amounts of revenue recognised during the each of the periods ended June 30, 2021 and 2022 that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of period:		
Sale of products	**5,407**	4,463
CDMO services	**259,409**	67,760
	264,816	72,423

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, except for PRC customers of the finished dose pharmaceutical products, where payment in advance is normally required.

CDMO services

For services under the Fee-for-service ("**FFS**") model, revenue is recognised over time and the performance obligation is part of a contract that has an original expected duration of one year or less. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FFS model.

For certain CDMO services, the directors of the Company have determined that performance obligations are satisfied upon acceptance of the deliverable products under customers' specific orders, and therefore, the performance obligation is recognised as revenue at a point in time.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30, 2022 and December 31, 2021 are as follows:

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**1,020,314**	1,194,897

All the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Other Income and Gains

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Bank interest income	**29,000**	26,260
Government grants related to		
— Assets*	**1,036**	1,036
— Income**	**13,358**	16,219
Dividend income from financial assets at fair value through profit or loss	**4,843**	28,592
Dividend income from financial assets designated at fair value through other comprehensive income	**–**	15,543
	48,237	87,650
Other gains		
Foreign exchange gains, net	**102,886**	(93,654)
Gains on disposal of financial assets at fair value through profit or loss	**2,255**	4,677
Fair value gains/(losses), net:		
Fair value gains on financial assets at fair value through profit or loss	**(12,155)**	7,073
Fair value losses on derivative instruments	**(2,194)**	(5,738)
Gains/(losses) on disposal of items of property, plant and equipment	**(62)**	1,657
Interest income from debt investments	**–**	1,744
Others	**1,386**	2,581
	92,116	(81,660)
	140,353	5,990

* The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

6. Finance Costs

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings	**68,995**	64,046
Corporate bonds	**40,433**	38,111
Lease liabilities	**1,902**	1,439
Other finance cost	**11,684**	4,773
	123,014	108,369

7. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**2,224,286**	1,871,480
Cost of services provided	**313,572**	262,777
Depreciation of property, plant and equipment	**107,863**	108,778
Depreciation of right-of-use assets	**19,045**	16,840
Amortisation of other intangible assets	**25,559**	25,966
Research and development costs*	**79,104**	58,267
Auditor's remuneration	**4,987**	5,236
Employee benefit expense (including directors' and supervisors' remuneration):		
Salaries and other benefits	**320,423**	264,400
Pension scheme contributions, social welfare and other welfare	**57,449**	56,049
Rental expenses from short-term leases	**3,189**	897
Bank interest income	**(29,000)**	(26,260)
Finance costs	**123,014**	108,369
Dividend income from financial assets at fair value through profit or loss	**(4,843)**	(28,592)
Dividend income from financial assets at fair value through other comprehensive income	**–**	(15,543)
Foreign exchange losses/(gains), net	**(102,886)**	93,654
Gains on disposal of financial assets at fair value through profit or loss	**(2,255)**	(4,677)
Fair value losses on derivative instruments	**2,194**	5,738
Fair value gains on financial assets at fair value through profit or loss	**12,155**	(7,073)
(Gains)/losses on disposal of items of property, plant and equipment	**(47)**	(1,657)
Interest income from debt investments	**–**	1,744
Impairment losses on financial assets	**9,252**	10,640
Write-down of inventories to net realisable value	**3,793**	2,928

* Research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss.

8. Income Tax Expense

The major components of the income tax expense for the period are as follows:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax expense		
PRC	**36,810**	117,060
United States of America	**57,684**	44,113
Elsewhere	**9,141**	220
Underprovision in prior years	**7,667**	1,522
	111,302	162,915
Deferred tax expense		
PRC	**12,387**	(88,330)
United States of America	**(5,421)**	842
Elsewhere	**369**	2,895
	7,335	(84,593)
Total tax charge for the period	**118,637**	78,322

9. Dividends

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends declared by the Company	**51,355**	220,094

On June 10, 2022, the Company's shareholders approved the 2021 Profit Distribution Plan at the annual general meeting, which amounted to RMB51,355,367 (tax inclusive) pursuant to a dividend of RMB0.35 (tax inclusive) for every 10 shares of the Company.

On May 26, 2021, the Company's shareholders approved the 2020 Profit Distribution Plan at the annual general meeting, which amounted to RMB220,094,431 (tax inclusive) pursuant to a dividend of RMB1.5 (tax inclusive) for every 10 shares of the Company.

10. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the each of the periods ended June 30, 2021 and 2022 as adjusted to reflect the subsequent changes in capital at nil consideration.

The calculation of basic and diluted earnings per share is based on:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**511,140**	338,159

	For the six months ended June 30,	
	2022	2021
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	**1,467,296,204**	1,467,296,204

11. Trade and Bills Receivables

	As at June 30,	As at December 31,
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**1,865,656**	1,601,498
Bill receivables	**12,937**	10,010
Allowance for expected credit losses	**(94,403)**	(86,299)
	1,784,190	1,525,209

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at June 30, 2022 and December 31, 2021, based on the billing date and net of allowance for expected credit losses, is as follows:

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**1,745,500**	1,486,732
One to two years	**63,003**	88,504
Two to three years	**63,555**	36,070
Over three years	**6,535**	202
	1,878,593	1,611,508
Less: Allowance for expected credit losses	**(94,403)**	(86,299)
	1,784,190	1,525,209

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At beginning of the year/period	**86,299**	30,114
Impairment losses, net	**6,905**	68,659
Write-off	**–**	(11,940)
Exchange realignment	**1,199**	(534)
	94,403	86,299

12. Trade Payables

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**554,266**	385,787

An aging analysis of the trade payables as at December 31, 2021 and June 30, 2022, based on the invoice date, is as follows:

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**551,662**	381,473
One year to two years	**1,457**	2,117
Two years to three years	**287**	1,518
Over three years	**860**	679
	554,266	385,787

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

13. Share Capital

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Registered, issued and fully paid 1,467,296,204 ordinary shares	**1,467,296**	1,467,296

Use of Proceeds from the H Share Listing of the Company

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 8, 2020 (the "**Listing Date**"), and the Company obtained its net proceeds of RMB3,538.3 million. According to the plan on use of proceeds as set out in the prospectus dated June 24, 2020 of the Company (the "**Prospectus**"), approximately 30% of the net proceeds (or approximately RMB1,061.5 million) is intended to be used for improving capital structure and repaying the existing debt; approximately 30% of the net proceeds (or approximately RMB1,061.5 million) is intended to be used for expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; approximately 20% of the net proceeds (or approximately RMB707.7 million) is intended to be used for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance; and approximately 20% of the net proceeds (or approximately RMB707.7 million) is intended to be used for investment in innovative drugs.

As at June 30, 2022, RMB1,034.4 million had been used by the Company to improve capital structure and repay the existing debt; RMB80.8 million had been used for investment in innovative drugs; the remaining unutilized net proceeds of RMB2,423.2 million were deposited with licensed financial institutions as deposits and structured principal-protected wealth management products. During the six months ended June 30, 2022, no proceeds had been used by the Group. We expected to progressively utilize the net proceeds from the H share listing within three years in accordance with the above purposes consistently as those stated in the Prospectus. The plan is as follows:

Use of proceeds (RMB million)	**Net proceeds from Global Offering**	**Utilised as at June 30, 2022**	**Remaining amount**	**Expected time of use**
Improving capital structure and repaying the existing debt	1,061.5	1,034.4	27.1	Within next three years from the Listing Date
Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC	1,061.5	0	1,061.5	Within next three years from the Listing Date
Expanding our development and manufacturing capacity and broadening our products and services offering of Cytovance	707.7	0	707.7	Within next three years from the Listing Date
Investment in innovative drugs	707.7	80.8	626.9	Within next three years from the Listing Date
Total	3,538.4	1,115.2	2,423.2	

Significant Investments

As at June 30, 2022, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this announcement, the Group does not have any plan for significant investments or purchase of capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Events after the Reporting Period

Save for the continuing impact of the COVID-19 pandemic, the Company has no events after the Reporting Period that need to be brought to the attention of the shareholders of the Company.

Employee and Remuneration Policy

As at June 30, 2022, the Group had 2,343 employees, where their salaries, bonus and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB377.9 million (the same period of last year: approximately RMB320.4 million).

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Compliance with Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Corporate Governance Code**"). During the Reporting Period, the Company had complied with all the applicable code provisions in the Corporate Governance Code.

The Board currently comprises three executive directors and three independent non-executive directors, with the independent non-executive directors representing no less than one-third of the Board. Having such a percentage of independent non-executive directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Company or its subsidiaries) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Model Code**"). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period. The Company will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

Review of Interim Results by the Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2022.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited consolidated interim results of the Group for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

Interim Dividends

The Board has resolved not to declare interim dividends for the six months ended June 30, 2022 (the same period of last year: nil).

Publication of Interim Results Announcement and Interim Report 2022

This announcement will be published on the websites of the Company (http://www.hepalink.com/) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The 2022 Interim Report of the Company will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Hong Kong Stock Exchange.

Appreciation

On behalf of the Board, I would like to express my gratitude to all shareholders for their trust, support and understanding, as well as to all the staff of the Group for their unremitting efforts.

By order of the Board
Shenzhen Hepalink Pharmaceutical Group Co., Ltd.
Li Li
Chairman

Shenzhen, the PRC
August 29, 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan and Mr. Shan Yu; the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward- looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.